

April 5, 2013

Todd Gloria
City Council President
City Administration Building
202 C Street, MS-10A
San Diego, CA 92101

RE: FOLLOW-UP RESPONSE OF THE COUNCIL MEETING OF MARCH 27, 2013

Honorable Council President Gloria:

Request from Council

To provide details and clarity on the \$1.412 million request by DoIT to help fund their FY13 2nd half budget.

Background

The Department of Information Technology (“DoIT”) has requested that San Diego Data Processing Corporation forgive \$1,412,000 of the December invoice rendered by SDDPC to the DoIT for projected services for the second half of FY13. By forgiving this money, SDDPC effectively contributes to the budget of DoIT and draws down funds that would otherwise be made available to The City of San Diego at the time of SDDPC dissolution.

As stated in the Budget and Finance Committee meeting on March 27, 2013, the DoIT would like SDDPC to contribute \$1,412,000 to help fund non-specific DoIT expenses for the second half of FY13. The DoIT points out that SDDPC has funded other “projects” for The City of San Diego in the past. However, those have been specific projects approved by the City Council. In this case, both the City Council and SDDPC find themselves in a unique position based on the following:

1. This is a request to fund non-specific activities.
2. It is not a request from the City Council, but comes instead from a specific City department to fund their particular budget.
3. This is in addition to the City’s request to move over \$4.8 million for prepaid expenses, transition expenses and depreciation expenses “below the line,” which has the effect of artificially lowering our rates and reducing SDDPC’s potential retained earnings for all of FY13.
4. Based on the expected near-term dissolution of SDDPC as an entity, and the fact that all assets of SDDPC will revert to The City of San Diego upon SDDPC dissolution, and since the City Council is the sole member of SDDPC, the issue that presents itself is...

Request for Direction

Does the Council wish SDDPC to distribute some or all of its assets through draw down requests such as these or would the Council prefer that the Council make the allocation of the assets of SDDPC pre and post dissolution?



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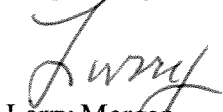
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The fundamental question is who has the right to “spend” the assets of SDDPC? Would the Council like to grant that power to DoIT, the Office of the Comptroller, or another Department at the Council’s direction? Or would the Council like SDDPC to preserve its assets so that the Council can decide how to distribute the cash and other assets as part of SDDPC’s dissolution?

If the Council will provide formal direction to SDDPC management on this matter, that direction will be presented to the Board of Directors of San Diego Data Processing Corporation for ratification and approval.

The management of SDDPC has no specific position for or against providing this funding to DoIT and will cooperate with any direction that the Council, as our sole member, provides. SDDPC does want to insure that the wishes of the Council are followed and that the Board of Directors of SDDPC has a clear understanding of the direction of the Council with regards to the remaining assets of SDDPC including its cash.

Respectfully submitted,



Larry Morgan
Executive Director
San Diego Data Processing Corporation

CC: Sherri Lightner
Kevin Faulconer
Mark Kersey
David Alvarez
Andrea Tevlin
Chris Goodman